PROVINCE OF

PRINCE EDWARD ISLAND

FORTIETH

ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31ST

1988

LIQUOR CONTROL COMMISSION

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The Honourable Allison Ellis,

Minister,

Department of Energy & Forestry,

Province of Prince Edawrd Island,

Charlottetown, P.E.I.

Sir:

In compliance with Section 94(3) of the P.E.I. Liquor Control Act, I have the honor to submit the Fortieth Annual Report of the Prince Edward Island Liquor Control Commission covering the fiscal year April 1, 1987, to March 31, 1988.

Respectfully Submitted,

W. STANHOPE MOORE,

Chairman and
Chief Executive Officer.

GENERAL REMARKS

The Commission is presently operating fourteen (14) retail outlets of which twelve (12) are self-service in design and two (2) are conventional or counter type. In addition, the Commission operates a central warehouse and Licensee Distribution Centre located in Parkdale on the outskirts of Charlottetown.

During the year, the Commission leased a new store in Wellington which is self-service in design and offers bilingual service to the area residents. As well, the trailer store located in O'Leary was replaced with a new ultra-modern self-service store featuring a full line of Commission listings.

The major objectives of the Commission are to provide the most efficient system of distribution of alcoholic beverages to the public, maintain a high level of customer service, and maximize revenues to the Minister of Finance while keeping in mind Government Policies.

For the fiscal year ended March 31, 1988, gross sales were Forty-Eight Million, One Hundred and Twenty-Nine Thousand Nine Hundred and Eighty-Nine Dollars ($48,129,989.00). This is an increase of 5.75% over 1986-87 fiscal year. Net profit for the year, plus health and sales taxes, totalled Twenty-One Million Three Hundred and Ten Thousand One Hundred and Sixteen Dollars ($21,310,116.00). This represents an increase of 5.9% over 1986-87 fiscal year.

A new Customs and Excise package was written by Computer Services Division and implemented by the Commission Staff to conform with the "Harmonized System" adopted by the Federal Government.

As a pilot project, the Commission purchased four (4) reach-in coolers that are being used to chill wines. This added service has proved successful and will be expanded upon during the next fiscal year.

The Licensing & Inspection Department continues to carry out surveillance on all licensed premises and inspections of Special Banquet permits.

As in previous years, the checking of minors and overserving still continue to be two major concerns within the Department. The maintaining of a high level of operational standards was stressed to licensees throughout the year. Strong emphasis was placed on the prevention of breaches of the Liquor Control Act Regulations and Commission Policy within this sector.

Reports indicate licensees, for the most part, continue to operate in a satisfactory manner. The Department continues to have meetings with staff of licensed premises with respect to the enforcement of the Liquor Control Act Regulations. These meetings are well received by the Licensees.

There were nineteen (19) new licenses issued during the fiscal year, while fourteen (14) licenses were voluntarily surrendered.

The Commission acknowledges the valuable assistance of the Royal Canadian Mounted Police, Charlottetown Police Department, Summerside Police Department, and all other law enforcement agencies throughout the Province; other Government Departments; and last but not least, Liquor Control Commission employees for their dedication and contribution to the efficient operation of the Commission during the year.

The Commission Members recognize and appreciate the efforts of our dedicated employees which are essential to the success of the Commission.

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

ANALYSIS OF SALES BY RETAIL STORES

(For The Year Ended March 31, 1988)

	NET SALES		
	Year Ended March 31, 1988	Year Ended March 31, 1987	Increase (Decrease)
ALBERTON	$ 988,864.96	$ 1,061,175.59	$ (72,310.63)
BORDEN	894,364.74	864,587.69	29,777.05
CARDIGAN	3,337,433.90	3,131,079.89	206,354.01
CHARLOTTETOWN - QUEEN ST.	2,543,243.62	2,603,188.99	(59,945.37)
KENSINGTON	1,130,284.23	1,054,627.19	75,657.04
LICENSEE DIST. CENTER	4,151,643.47	3,790,834.06	360,809.41
NORTH RUSTICO	1,517,019.43	1,350,704.09	166,315.34
O'LEARY	923,481.41	837,265.08	86,216.33
ROYALTY MALL	6,353,482.02	5,969,241.22	384,240.80
SHERBROOKE	3,451,559.99	3,579,910.95	(128,350.96)
SOURIS	1,569,252.92	1,556,685.13	12,567.79
SUMMERSIDE	2,555,213.05	2,455,234.63	99,978.42
TIGNISH	1,141,202.73	1,061,563.88	79,633.85
TOWERS	5,263,165.68	4,897,550.76	365,614.92
WAREHOUSE (SUNDRY)	72,393.85	69,187.48	3,206.37
WELLINGTON	340,528.36	--	340,528.36
	$ 36,233,134.36	$ 34,282,836.63	$ 1,950,297.73

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

SUMMARY OF PROFIT AND EXPENSE RATIOS ((in 000's)

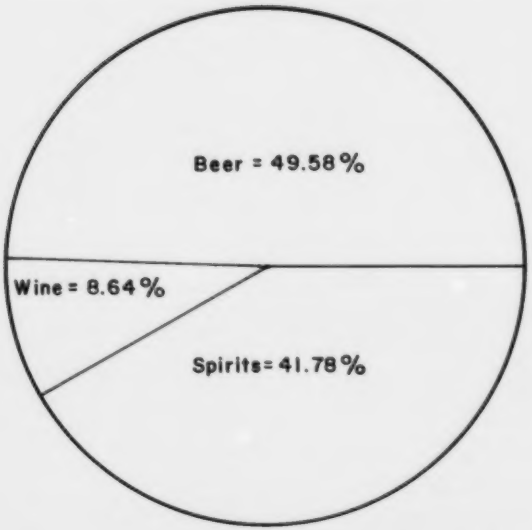
(For The Years Ended 1984-1988)

	1984	1985	1986	1987	1988
SALES	41,303	43,364	44,065	45,515	48,130
GROSS PROFIT	12,102	12,298	12,553	12,964	13,855
NET PROFIT	8,385	8,618	8,544	8,927	9,413
GENERAL AND ADMINISTRATIVE EXPENSES	3,914	3,877	4,185	4,215	4,679
GROSS PROFIT AS % OF SALES	29.3	28.4	28.5	28.5	28.8
NET PROFIT AS % OF SALES	20.3	19.9	19.4	19.6	19.6
GENERAL & ADMINISTRATIVE EXPENSES AS % OF SALES	9.5	8.9	9.5	9.3	9.7

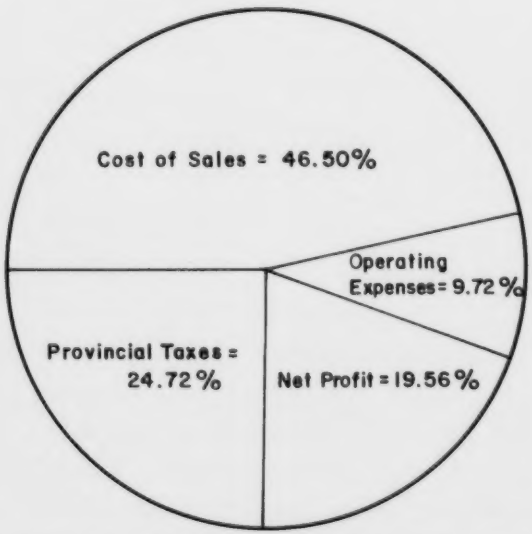
COMPARATIVE STATEMENT

	Gross Sales	Health Tax	Sales Tax	Gross Profit	Net Profit
1965	5,975,134	516,034	298,757	1,925,402	1,730,387
1966	6,570,884	567,485	328,544	2,111,001	1,855,305
1967	7,273,136	628,136	363,659	2,330,301	2,025,426
1968	8,190,658	707,375	409,533	2,703,928	2,332,440
1969	9,038,301	780,581	451,915	3,000,284	2,606,209
1970	9,738,688	825,960	653,127	3,239,826	2,806,100
1971	10,639,885	899,554	744,792	3,554,861	3,056,251
1972	11,912,815	995,573	952,287	4,030,737	3,471,592
1973	13,614,618	1,137,732	1,088,265	4,701,365	3,981,712
1974	15,682,662	1,311,641	1,254,613	5,439,661	4,474,827
1975	17,977,409	1,503,565	1,438,193	6,138,729	4,985,202
1976	21,371,136	1,787,404	1,709,691	7,240,505	5,767,823
1977	21,620,540	1,843,287	1,344,387	7,466,755	5,793,464
1978	24,287,799	2,005,822	1,500,260	8,366,564	6,482,257
1979	25,258,836	2,156,123	1,541,483	8,716,321	6,688,570
1980	27,602,661	2,354,594	1,702,124	9,783,207	7,506,780
1981	29,922,380	2,662,073	2,055,181	*10,358,624	7,819,513
1982	35,072,507	6,120,627	2,440,237	10,452,764	7,313,442
1983	38,904,314	6,819,570	2,688,211	11,410,630	7,906,428
1984	41,303,258	7,249,723	2,826,817	12,101,846	8,385,392
1985	43,363,896	7,634,874	2,977,486	12,297,568	8,617,835
1986	44,065,615	7,772,890	3,046,443	12,553,475	8,544,146
1987	45,514,685	8,072,811	3,159,037	12,953,662	8,927,004
1988	48,129,989	8,547,175	3,349,680	13,855,014	9,413,261

* NOTE: PROVINCIAL HEALTH TAX INCREASED FROM 10 - 25% MARCH 13/81



Gross Income From The Sale Of Liquor

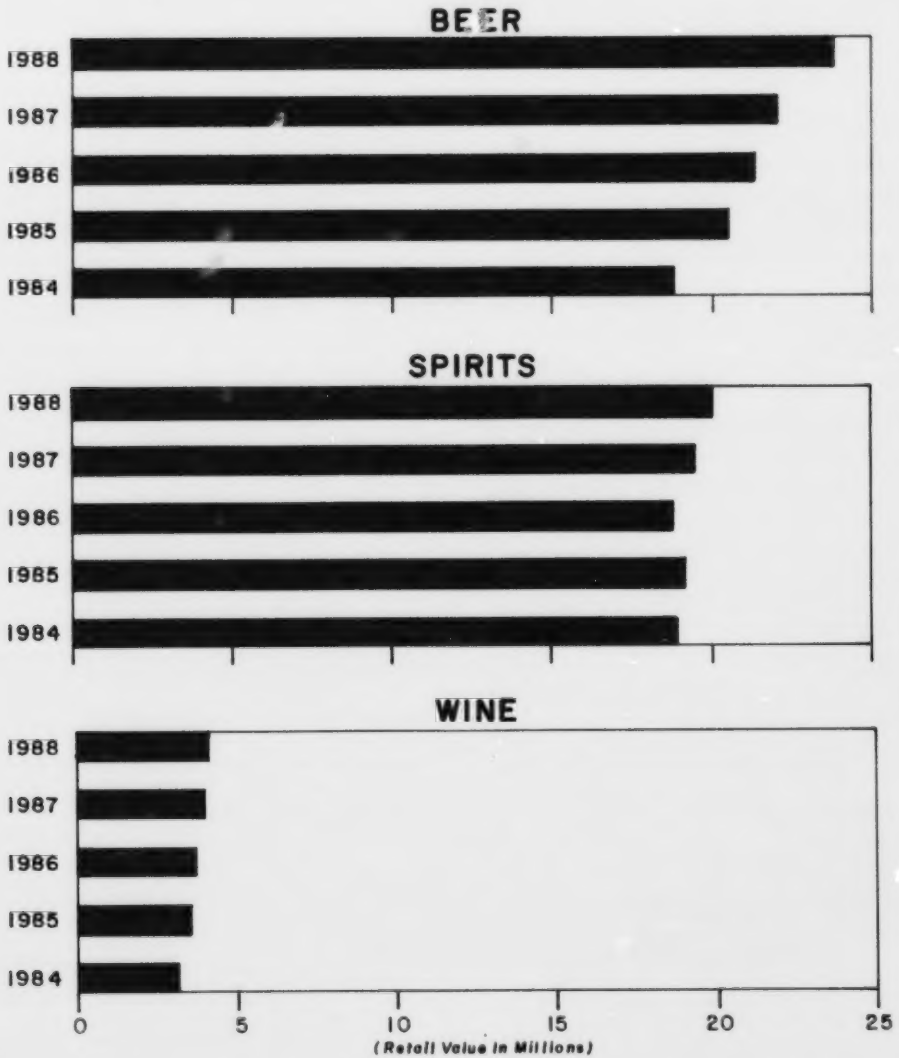


Distribution Of Gross Income From The Sale Of Liquor

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

RETAIL VALUES OF LIQUOR SOLD IN P.E.I.

(For The Years 1984-1988)



LICENSES IN EFFECT AS OF MARCH 31, 1988

AND IN COMPARISON WITH 1987

		1988	1987
1.	MILITARY CANTEEN LICENSES	25	26
2.	CLUB LICENSES	73	72

Club Licenses were granted to:-

Summerside Masonic Temple Inc.
West Royalty Community Centre

3.	DINING ROOM LICENSES	126	122

Dining Room Licenses were granted to:-

Range and Reef
West Point Light House
Swiss Chalet Chicken & Ribs
McCrady's Green Acres
Pizza Delight - Summerside
Pizza Delight - Cavendish
Strathgartney Country Inn
Gentleman Jim's - Summerside
North River Motel
Papa's Place
Chan Brother's International
Doc's Corner
Bud's Fish & Chips

4.	LOUNGE LICENSES	58	57

Lounge Licenses were granted to:-

Gentleman Jim's - Summerside
North River Motel
Doc's Corner
Town of Kensington

LICENSES VOLUNTARILY SURRENDERED AND IN COMPARISON WITH 1987

		1988	1987
1.	CLUB LICENSES	1	0
2.	DINING ROOM LICENSES	9	10
	Dining Room Licenses Surrendered:-		
	Copper Cup Restaurant Ocean View Restaurant The Barn - Southport Cape Cannery Restaurant Maxwell's Annie's Family Restaurant Bamboo Restaurant Rolly's Restaurant Gilligan's Landing		
3.	LOUNGE LICENSES	3	3
	Lounge Licenses Surrendered:-		
	Rolly's Maxwell's Gilligan's Landing		
4.	MILITARY CANTEEN LICENSES	1	0
	Military Canteen Licenses Surrendered:-		
	"B" Squadron All Ranks Mess		
5.	SUMMARY:		
	Military Canteen	25	26
	Club	73	72
	Dining Room	126	122
	Lounge	58	57
		282	277

AUDITOR'S REPORT

To the Commissioners of the

Prince Edward Island Liquor Control Commission

I have examined the balance sheet of the Prince Edward Island Liquor Control Commission as at March 31, 1988 and the statement of income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1988 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J. Wayne Murphy, C.A.,

Auditor General.

Charlottetown, Prince Edward Island,

May 16, 1988.

STATEMENT 1

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

BALANCE SHEET

MARCH 31, 1988

(with comparative figures at March 31, 1987)

ASSETS

CURRENT ASSETS

	1988	1987
Cash	$ 80,277	$ 314,314
Accounts receivable	9,950	25,614
Inventories - Note 1(b)	2,452,174	2,273,906
Prepaid expenses	30,142	24,407
	2,572,543	2,638,241

FIXED ASSETS

Land, buildings and equipment at cost less accumulated depreciation- Notes 1(a) and 4	1,563,686	1,312,622
Leasehold Improvements at cost less accumulated amortization Notes 1(a) and 5	140,350	47,863
	1,704,036	1,360,485
	$ 4,276,579	$ 3,998,726

STATEMENT 1 (Continued)

BALANCE SHEET

MARCH 31, 1988

(with comparative figures at March 31, 1987)

CURRENT LIABILITIES

	1988	1987
Trade accounts payable	$ 592,920	$ 577,716
Accounts payable - other	153,334	157,950
Accrued interest	36,194	34,221
Deferred revenue	4,600	9,246
Debentures payable - current portion - Note 3	125,033	89,135
Due to the Minister of Finance - Note 1(c)	1,785,495	1,859,109
	2,697,576	2,727,377

LONG TERM LIABILITIES

Due to the Minister of Finance with respect to net fixed assets - non-interest bearing - Note 1(c)		876,822		844,136
Debentures payable - Note 3	$ 827,214		$ 516,348	
Less: Current Portion	125,033	702,181	89,135	427,213
		1,579,003		1,271,349
		$ 4,276,579		$ 3,998,726

(Notes 1 to 5 are an integral part of these financial statements)

ON BEHALF OF THE COMMISSION:

COMMISSIONER: STANHOPE MOORE

COMMISIONER: COLSTON WOOD

STATEMENT 2

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 1988

(with comparative figures for the year ended March 31, 1987)

	1988		1987	
SALES		$48,129,989		$45,514,685
Less:: Provincial Health Tax	$ 8,547,175		$ 8,072,811	
Provincial Sales Tax	3,349,680	11,896,855	3,159,037	11,231,848
NET SALES		36,233,134		34,282,837
COST OF GOODS SOLD				
Beginning Inventory	2,273,906		2,064,026	
Purchases	22,556,368		21,539,055	
	24,830,294		23,603,081	
Ending Inventory	2,452,174	22,378,120	2,273,906	21,329,175
GROSS PROFIT		13,855,014		12,953,662
EXPENSES				
Salaries and employee benefits	3,436,764		2,985,770	
Rent - Note 2	208,964		186,003	
Heat and electricity	157,265		181,396	
Store supplies and office expense	159,181		171,665	
Depreciation	184,697		167,020	
Repairs and maintenance	97,113		125,031	
Insurance and taxes	98,912		102,234	
Interest on long term debt	77,261,		81,502	
Travel	78,298		67,885	
Professional services	72,335		49,558	
Miscellaneous	51,440		34,639	
Telephone and telegraph	32,343		33,529	
Delivery	14,836		15,431	
Computer Services	9,689	4,679,098	13,525	4,215,184
		9,175,916		8,738,478
OTHER INCOME		237,345		188,526
NET INCOME - Note 1(c)		$ 9,413,261		$ 8,927,004

(Notes 1 to 5 are an integral part of these financial statements)

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1988

1. **Summary of accounting policies**

   (a) Depreciation and Amortization

   Depreciation of buildings, furniture and equipment and amortization of leasehold improvements are calculated on a straight line basis at the rates indicated in Notes 4 and 5.

   (b) Inventories

   Inventories are valued at cost based on the latest invoice price which is not in excess of net realizable value.

   (c) Net Income

   All net income of the Commission accrues directly to the Province. Transfers of net income are made to the Consolidated Fund on a continuing basis as excess cash becomes available. Any funds received from operations which are used to finance net additions to fixed assets are withheld by the Commission and treated as long term loans from the Province.

2. The Prince Edward Island Liquor Control Commission leases six retail outlets. All of these retail outlets have written lease agreements and the maturity dates for these leases are between 1990 and 1996. The leases have a total basic yearly rent of approximately $198,000.

3. Debentures Payable — Province of Prince Edward Island

	Balance March'31, 1988	Less Current Portion	Long Term Liability
Licensee Distribution Centre			
Repayable in equal annual installments of $75.764 including interest @ 12.5% per annum, maturing November 1, 1990	$ 180,334	$ 53,222	$ 127,112
North Rustico			
Repayable in equal annual installments of $64,295 including interest @15.5% per annum, maturing September 1, 1991	181,672	36,136	145,536
Kensington			
Repayable in equal annual installments of $24,363 including interest @ 18% per annum, maturing January 1, 1992	65,208	12,463	52,745
O'Leary			
Repayable in equal annual installments of $52,553 including interest @ 11.75% per annum, maturing February 1, 1998	300,000	17,303	282,697

	Balance March'31, 1988	Less Current Portion	Long Term Liability
Wellington			
Repayable in equal annual installments of $17,159 including interest @ 11.25% per annum, maturing February 1, 1998	100,000	5,909	94,091
	$ 827,214	$ 125,033	$ 702,181

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1988

4. Fixed assets at cost less accumulated depreciation consist of the following:

	Depreciation Rate	1988 Cost	1988 Accumulated Depreciation	1988 Net Book Value	1987 Net Book Value
Land	—	$ 103,979	—	$ 103,979	$ 103,979
Buildings	5%	2,966,168	$ 1,667,966	1,298,202	1,141,101
Equipment	10—33%	514,968	353,463	161,505	67,542
		$ 3,585,115	$ 2,021,429	$ 1,563,686	$ 1,312,622

During the year interest costs totalling $11,210 associated with building construction were capitalized.

5. Leasehold improvements are amortized over the terms of the leases.

	1988 Cost	1988 Accumulated Amortization	1988 Net Book Value	1987 Net Book Value
Leasehold Improvements	$ 262,379	$ 122,029	$ 140,350	$ 47,663

During the year interest costs totalling $4,144 associated with leasehold improvements were capitalized.